

## DOUBLE TAXATION: SHIPPING PROFITS

*Exchange of notes at Washington June 6, 1946, and January 7, 1947  
Entered into force January 7, 1947; operative from November 19, 1943  
Superseded January 1, 1952, by convention of March 3, 1952<sup>1</sup>*

61 Stat. 2671; Treaties and Other  
International Acts Series 1596

*The Finnish Minister to the Secretary of State*

LEGATION OF FINLAND  
WASHINGTON, D. C.

4962

JUNE 6, 1946

EXCELLENCY,

I have the honor to inform Your Excellency that the Government of Finland is desirous of entering into an agreement with the Government of the United States of America relating to reciprocal exemption from double taxation on shipping profits.

With a view to obtaining from the appropriate authorities of the Government of the United States of America a decision that Finland meets the requirements, with respect to reciprocal exemption, of the applicable United States revenue laws, and consequently that the income of Finnish nationals and corporations which consists exclusively of earnings derived from the operation of ships documented under the laws of Finland are exempted from taxation by the United States, I furnish the following information, under the instructions from my Government, with respect to the provisions of Finnish law under which, on the basis of reciprocity, shipping profits of United States nationals and corporations are accorded exemption from Finnish income tax:

"The Government is empowered to allow exceptions on the basis of reciprocity from the provisions of this law with regard to the obligatory payment of tax on income derived from abroad and on property located there and also as regards the liability to taxation of a foreign individual as well as of a foreign state, corporation, institution and foundation." (Section 6 of "Law Regarding Tax on Income and Property", enacted November 19, 1943, No. 888).

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<sup>1</sup> 3 UST 4485; TIAS 2596.

The Government of Finland would appreciate, therefore, receiving assurances from the Government of the United States of America with respect to the granting of the tax exemption, as requested above, on a basis of reciprocity. The Government of Finland will consider an agreement to this effect between the two Governments as being concluded and in force beginning with the date specified in Your Excellency's reply note giving such assurances. The Government of Finland will understand that such agreement may be terminated at any time by a six months' notice in writing given by either Government to the other Government.

Accept, Excellency, the renewed assurances of my highest consideration.

K. T. JUTILA

His Excellency

The Honorable JAMES F. BYRNES  
*The Secretary of State*  
*The Department of State*  
*Washington*

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*The Secretary of State to the Finnish Minister*

DEPARTMENT OF STATE  
WASHINGTON  
January 7 1947

SIR:

I have the honor to refer to your note dated June 6, 1946, relating to the desire of the Government of Finland to enter into an agreement with the Government of the United States of America relating to reciprocal exemption from double taxation on shipping profits.

A copy of your note was sent to the Secretary of the Treasury with a view to obtaining an expression of the views of the Treasury Department with respect to this matter. A letter dated October 30, 1946 has been received from the Treasury Department in which, after references to the Legation's note and to the Finnish income tax law cited in that note, and to section 3 of the Finnish Law of December 5, 1924 on the same subject, it is pointed out that the corresponding provisions of United States income tax law provide in the case of a nonresident alien or foreign corporation for exemption of earnings derived from the operation of ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States of America and to corporations organized in the United States of America. (Section 212 (b) and section 231 (d), Internal Revenue Code.)

The Treasury Department's letter contains the following statement:

"It is the view of this Department that from the date specified in your reply note to the Finnish Legation, Finland will satisfy the equivalent exemption provisions of section 212 (b) and 231 (d) of the Internal Revenue Code, and hence that the Government of the United States may give to the Government of Finland assurances that the income of Finnish nationals and Finnish corporations which consists exclusively of earnings derived from the operation of ships documented under the laws of Finland will be exempt from United States income tax from such specified date."

It is, therefore, the view of the Government of the United States of America that Finland meets the requirements, with respect to reciprocal exemption, of the applicable United States revenue laws, and consequently that the income of Finnish nationals and corporations which consists exclusively of earnings derived from the operation of ships documented under the laws of Finland are exempted from taxation by the United States of America.

The Government of the United States of America considers that your note above-mentioned and this reply note constitute an agreement between the two Governments with respect to this matter, it being understood that this agreement, and the exemption from United States taxes to which it relates, shall be deemed to be effective beginning November 19, 1943, the date of the Finnish law cited in your note. It is understood, further, that this agreement may be terminated at any time by a six months' notice in writing given by either Government to the other Government.

Accept, Sir, the renewed assurances of my highest consideration.

For the Secretary of State:

WILLARD L. THORP

The Honorable

Dr. K. T. JUTILA,  
*Minister of Finland.*